

Exhibit 4

ANNUAL COST BASIS

Wastewater System Cost Bearing Items
and Activities to be Utilized as the Annual
Cost Basis for Calculation of Rate and Charges

Cost Items

1. Operating costs
2. Maintenance costs
3. Administrative charges
4. Management cost
5. General repair costs
6. System repair and rehabilitation costs

(It is Understood that all cost items are exclusive of debt service and depreciation)

Formula and Allocation

Monthly share of the sum of budgeted annual costs, less Budgeted Repair and Rehabilitation costs, times NAVY pro rate share of total monthly wastewater flows in the system, plus monthly share of Repair and Rehabilitation costs times NAVY's share of monthly total wastewater in the system less the flows contributed monthly by Sigsbee Park.

Billing City of Key West Wastewater

Mathematically Expressed

$$((A+B+C+D+E) \times (F/G)) + ((R/R) \times ((F-S)/G)) + (R/R \text{ Treatment plant X .**}) = \text{Monthly bill}$$

A= Budgeted annual Operating Costs for the system/ 12

B= Budgeted annual Maintenance Costs for the system/ 12

C= Budgeted annual Administrative Costs of the City allocated to the system / 12

D= Budgeted annual Management Costs of the system/- 12

E= General repair costs /12

R/R= Budgeted annual Repair and Rehabilitation Costs of the system /12

F= NAVY's total monthly flows into the system, including Sigsbee Park monthly flows

S= NAVY's monthly flows contributed by Sigsbee Park

G= Total system-monthly wastewater flows.